

U.S. port & another. For years this policy was followed, even on the great lakes. Then it was relaxed for a time until experience showed its wisdom & fairness, & it was restored by order of the President. If sound policy demanded the exclusion of Canadian vessels from the trade, no good reason could be advanced for admitting Canadian railroads to a share in that trade. Nevertheless, the U.S. Government had said, for the advantage of the Canadian railway owner solely, that the protection & encouragement invariably afforded by it to U.S. vessel property shall not be afforded to U.S. railroad property. In working out the U.S. protective tariff system it always had been the rule that to every industry the expenses of which are enhanced by the need of using the protected products of some other U.S. industry a corresponding & indemnifying protection against the foreign competitor should in turn be given. Yet this had been abandoned in respect to one solitary U.S. industry, & one having vastly more capital invested in it, having a vastly larger pay roll & of vastly more importance to the common welfare, in peace or in war, than any other—the railway carrying trade. All materials used by U.S. railways are of the highly protected class; but the Canadian railways had long been able to buy their track metal from U.S. makers at a price less than demanded of the U.S. roads by an amount practically equalling the tariff duty.

On account of this protective system, Mr. Clough argued, U.S. railways were compelled to pay the highest wages in the world, the tariff making living so high that corresponding wages must be paid. The railway must bear a full share of the burden incident to the protection of the other industries, it must stand the direct & large increase in the cost of materials, supplies & wages, which it is the very end of the protective system to accomplish, & after all this it must stand alone in naked exposure to the unlimited & unconditioned competition of the foreigner. He contended that the amount of the discrimination against U.S. railways was stupendous & constantly growing. The statistics of the Customs Department showed that the freight traffic diverted to the Canadian roads already amounted to nearly or quite 10,000,000 tons a year, & represented a loss to the U.S. lines of not less than from \$20,000,000 to \$25,000,000 in money every 12 months. Statistics of passenger traffic were not so complete, but its volume was likewise known to be large. The U.S. lines had not lost a pound of traffic on account of want of facilities for handling it.

It had not been lost to them because of unwillingness to handle it at fair rates. In the U.S. nearly two-thirds of the gross earnings were paid out in operating expenses. Practically, the whole of this expense was for wages in some department. It was obvious therefore that every time foreign lines diverted from the U.S. lines \$21,000,000 of traffic they took \$14,000,000 directly out of the pockets of U.S. workmen. Mr. Clough contended that the C.P.R. did not fit into the system which U.S. national legislation had devised for preventing the use of unjust discriminations between persons & places in the conduct of the railway transportation business. Congress might prevent the C.P.R. from discriminating between points wholly in the U.S., but it could not prevent a rebate being given for the haul on Canadian soil before re-entry into U.S. territory. If such discrimination was discovered Congress was unable to punish the offense. To work out a fair indemnification to the U.S. lines for the burdens of the protective tariff system put upon them Mr. Clough suggested several ways. The simplest & most practical way would be to put transportation by rail on the same footing as transportation by water. There was no good reason why both kinds of transportation should not be upon the same basis & every reason why both should. Another method, which he urged as perfectly fair, would be the imposition of a duty upon goods passing across Canadian territory, in transit, at a scale sufficient to equalise the condition made by the U.S. tariff. It would not be difficult to fix such a scale. It might be on the ad valorem basis or according to quantity. Either would be perfectly practicable & would abolish the unjust discrimination against the rail transportation business now exercised by the U.S. Government. Mr. Clough did not expect that the privilege of competing for the U.S. trade would be wholly withdrawn from the Canadian roads at once. A little notice in advance of a proposed change of policy in this regard might well be given. But the early withdrawal of the privilege should be notified without delay. In the meantime there were some details of this competition as now carried on which ought to have immediate attention. There was no reason why railway equipment, liable to very substantial customs duties, should be suffered to enter U.S. territory free. Yet outside of law, or even of departmental regulation, the practice had crept in of suffering cars, both freight & passenger, to cross the frontier without the slightest question being raised. This practice, plainly illegal, had had the effect of

putting into regular service over thousands of miles of lines in the U.S. freight & passenger cars used in foreign countries, & which had never paid a dollar of duty. The law making power of the Government had never consented to such a practice. It should be stopped immediately. No freight or passenger car should be permitted to enter U.S. territory without payment of the duties which the tariff imposed on imported articles. The U.S. roads were forbidden to bring into the country either cars or the materials from which cars were made, without paying duties. Why should the Canadian roads be allowed to bring their equipment across the boundary free? The laws had not provided for any such additional favor to the foreigner. The practice had grown up in the face of the law. Foreign railways should ultimately be prohibited from carrying U.S. traffic, freight or passenger, if reasonable experiments, under more restrictive laws, demonstrate that they cannot be compelled to do business on terms of strict equality with the U.S. lines. For purposes of this experiment new legislation that will give the Commerce Commission control over the Canadian lines must be enacted. If the Commission could not then control the foreign roads it should have the authority to at once bar them from handling U.S. freight & passengers. Mr. Clough stated further that he would at once prepare the draft of a bill embodying his ideas, & file it with the Commission.

THE COMMISSION'S POWERS.

Before the adjournment of the session, President Knapp said it was not within the power of the Commission to issue any order, or to compel any certain course on the part of any of the lines represented, because of the fact that the hearing was not in any sense a court proceeding, but only an informal one. It was, however, the desire of the Commission to make an early report, in the hope that it might have some influence in bringing to an end the disastrous rate war. He asked, therefore, that if either side desired to submit written briefs, they should be presented within 10 days. The Commission would then make some recommendation. For purposes of the annual report and recommendations to Congress the lines were given 30 days in which to submit briefs.

CLOSING PROCEEDINGS.

At the 4th day's session, Attorney Raymond, for the C.P.R., declared that differences such as exist between the U.S. lines & the C.P.R. can be settled only by arbitration, &

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